



AMAP FINANCIAL SERVICES KNOWLEDGE GENERATION PROJECT

Quarterly Report #2 : Year 1, Quarter 3

April 1–June 30, 2004

This publication was produced for review by the United States Agency for International Development. It was prepared by Colleen Green and Catherine Johnston for Development Alternatives, Inc.

AMAP FINANCIAL SERVICES KNOWLEDGE GENERATION PROJECT

CONTRACT NO. GEG-I-01-02-00011-00
Task Order no. 01

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**AMAP Financial Services
Knowledge Generation Project**

**Contract No. GEG-I-01-02-00011
Task Order No. 01**

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Submitted August 13, 2004

I. INTRODUCTION

In September 2003, the Development Alternatives Inc. (DAI) consortium was awarded one of the AMAP Financial Services Knowledge Generation task order contracts under the AMAP Microfinance IQC. The overall purpose of the project is to generate knowledge that will help move the microfinance field forward in its efforts to extend efficient, sustainable and quality financial services to the poor. It is also expected that this new knowledge will help increase the capacity of EGAT/MD and its partner USAID missions to design and strengthen the implementation, monitoring and evaluation of USAID-supported microfinance projects. This three-year effort will form part of an overall learning/management system that is intended to facilitate innovation and improvements to on-going projects and the development of new cutting edge activities.

DAI's Partners in FKSG

ACCION International
Alternative Credit Technologies
The SEEP Network
IMCC
J.E. Austin
Ohio State University, Rural
Finance Program
Bannock Consulting
ECI/Africa
QED LLC

The AMAP Financial Services Knowledge Generation (FSKG) project is comprised of three components:

1. **Core knowledge generation component.** The bulk of the effort falls into this component. Knowledge generation activities includes, but is not limited to: research, applied research, action research, technical services, conferences, seminars and other activities, all of which feed into USAID's core long term microenterprise learning agenda.
2. **Short term technical services component.** This component will include short term technical services and training activities specified by technical directions provided to DAI from the Office of Microenterprise Development (OMD). These short term activities will also feed the core knowledge/learning agenda, but will be based upon requests from OMD and emerge as "windows of opportunity."
3. **Knowledge management/collaboration component.** This component will allow each of the contractors to support knowledge generation, synthesis and cross fertilization within the financial services sector of AMAP as well as across the two other sectors, Enabling Environment and Business Development Services.

The original contract award funded Component 1 only, and totaled \$4,773,991. Components 2 and 3 were funded in February 2004, each with an additional \$300,000, bringing the current total budget to \$5,373,991. \$1,100,000 has been obligated to date.

II. STATUS OF COMPONENT ACTIVITIES: QUARTER 3

A. Project Management

Summary of Progress: DAI has hired Catherine Johnston as a Development Finance Specialist. Catherine will replace Ira Singh as Deputy Project Director.

The Project Management Team, comprised of Project Director, Colleen Green, Deputy Project Director, Catherine Johnston, and Project Associate, Andrew Iappini, meet weekly to coordinate project activities, including:

- Finalizing and gaining approval for subcontractor task orders;
- Drafting, submission, review, revision and approvals for topic and sub-topic work plans;
- Managing research teams and moving research forward;
- Coordinating with USAID and other key donors engaged in similar research and applied research activities;
- Coordinating with the Knowledge Management contractor on key inputs to research formats, research branding, style and design, processes etc.; and
- Communicating with the broader consortium about activities and updates;

Project activity coordination continued on each of the topics. A summary of current approval status for each approved topic is shown below:

Topic	Days Approved 2004	Days Approved Contract	Status	Date Approved	Approved by	Form of Approval	Specific Activity Approved
Constraints and Potential of State Owned Retail Banks	125	250	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin under topic
Commercial Banks and MF Commercial Banks in MF MFI/Commercial Bank Linkages	120	315	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on two subtopics: Commercial Banks in Microfinance and Commercial Banks and MFI Linkages
HIV/AIDS Responsive Products	28	80	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on HIV/AIDS Responsive Products
Defining Options	99	125	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on refining and delivering the Defining Options curriculum
Financial Standards Promotion	60	60	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on Financial Standards Promotion Guide
Proving Microfinance Matters	150	150	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on Proving Microfinance Matters
Rural and Agricultural Finance	20	360	approved	3/3/2004	Barry Lennon	Email from 3/3/2004	Work plan Development
Rural and Agricultural Finance	4	360	approved	6/9/2004	Barry Lennon/ Geoff Chalmers	Emails from 6/9/2004	Focus Note on ZATAC Investment Fund
Rural and Agricultural Finance	4	360	pending				Focus Note on Rural Livelihoods; revision of concept required before approval will be granted

Rural and Agricultural Finance	338	360	verbal approval at 5/7/2004 meeting		Geoff Chalmers	Verbal; awaiting formal approval in writing	Rural finance work as per Joint Research Plan with Chemonics
Money Transfers and Remittances	35	100	approved	4/2/2004	Barry Lennon	Email approval from 4/2/2004	Work to begin on the development of a Remittances Newsletter
DCA Credit Enhancements		75	pending				Work plan is being revised and will be submitted in August
Private Debt Placements		55	pending				Work plan needs to be revised; earlier conversations suggested this topic was on hold
The Role of Networks	75	75	approved	3/19/2004	Anicca Jansen	Email from 3/19/2004	Work plan was revised and resubmitted; work to begin on the role of networks
Technical Instructions							
Defining Options	4.5	125	approved	10/8/2003	Barry Lennon	Technical Instruction Sent by Email	SEEP Conference-Sample of Defining Options course in October 2003
Rural and Agricultural Finance	7	7	pending	7/21/04	Lilly Villeda and Barry Lennon	Technical Instruction Sent by Email	From Component 3; to contribute review and insight into the development of the one-day BASIS Rural Finance Training Course

Project Management	421	421	approved	9/30/2003	Mercedes Eugenia, Contracts Officer	Task Order Contract	
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Budget Expended to Date: A total of \$102,478 has been expended for project management to date. This represents 19% of the total project management budget for FSKG.

B. Component One: Knowledge Generation

STATE OWNED RETAIL BANKS (SORBs)

Summary of Progress: Task order was signed with ECI/Africa.

The census of SORBs was completed by the research team, resulting in a database of information on 210 state owned banks worldwide. The information available includes: ownership structure, main products offered, history, key statistics, and involvement in microfinance operations, among other items. A thorough review and information exchange is currently underway by the research team in order to select a short list of institutions to consider for field based case study research

A research team meeting was held on June 17 with Lilly Villeda and Barry Lennon to discuss a framework for selecting and analyzing institutions. Selection criteria for prioritizing the banks for field based case studies were established as follows:

- Demonstrated restructuring effort
- Reasonable outreach
- Variation in models (post bank, agricultural bank, etc)
- Variation in countries and political context
- Learning potential for other countries and banks
- USAID presence (mission interest to be determined)

A set of key issues to be explored was discussed, including:

- Which markets and institutions are more suited to SORB restructuring?
- What characteristics and internal capacities should a SORB demonstrate to have a successful turnaround and microfinance focus?
- How important is it to bring in long-term technical assistance?
- What sorts of assistance are most likely to achieve restructuring goals?
- Can branch networks always be preserved?
- What products and services are most successful in terms of outreach and profitability?
- Must the SORB be recapitalized?
- Should the SORB be expected to collect on its existing non-performing portfolio?
- Is privatization the only possible end game?
- What if the government is uncertain in its commitment to SORB reform?

A research framework was outlined, including analysis of country context/environment, institution information, and examination of restructuring efforts. The interim report, including this research framework, selected short-list of institutions and census tables will be presented to USAID for review this quarter.

The next steps for this work include a workshop with USAID, the SORBs research team and other select stakeholders to discuss work to date, the focus of the case studies and ultimate outcomes of the activity. This meeting is tentatively scheduled for September or October 2004.

Personnel Contributing to this Research: The following individuals have been approved to contribute to this research activity:

Researcher	Firm/Organization	Job Category	Level
Jay Dyer, Co-Research Leader	DAI	Financial Analyst	I
Robin Young, Co-Research Leader	DAI	Microenterprise Research Specialist	I
Zan Northrip	DAI	Financial Analyst	
Robert Vogel	IMCC	Microenterprise Research Specialist	I
Dale Adams	IMCC	Microenterprise Research Specialist	I
Cerstin Sander	Bannock Consulting	TCN	
Anju Aggarwal	Bannock Consulting	TCN	
Gerhard Coetzee	ECI/Africa	TCN	
Gerda Piprek	ECI/Africa	TCN	
Phetsile Dlamini	ECI/Africa	TCN	

In addition, DAI intern Anita Fiori has assisted the research team with compiling the census tables and an extensive bibliography, setting up a research web-site with relevant literature, and preparing summary case studies on select SORBs based on existing literature. This assistance has been provided with no cost to the project.

Budget Expended to Date: A total of \$24,003 has been expended for the SORBs topic through June 30, 2004. This represents 7% of the total SORBs budget for FSKG.

COMMERCIAL BANKS IN MICROFINANCE

Under the topic Commercial Banks in Microfinance, two of the three subtopics have been approved. These two approved topics are Commercial Banks in Microfinance and Commercial Bank/MFI Linkages.

Commercial Banks in Microfinance

Summary of Progress: A task order was issued and signed by Bannock Consulting for their work under this research topic.

Nancy Natilson and Lynne Curran traveled to Ecuador to complete field work on the Banco Pichincha/Credife profitability case study. The field work was completed successfully and the team prepared an outline of the case which has been shared with USAID. Credife was chosen as the subject of this case study because, as a service company model, Credife's experience and its relationship to Banco Pichincha is

relatively straightforward and transparent. Credife's apparent success both in terms of rapid growth and contribution to Banco Pichincha's profitability contributed to using Credife as an example of how a bank can become a significant provider in the microfinance market. In addition, USAID in Ecuador supports this bank through the SALTO project through which a CAMAL analysis had been conducted providing valuable financial and operational data on the bank's microfinance operations.

In coordination with Lilly Villeda and the USAID mission in Sri Lanka, Hatton Bank was selected for the second case study. Selection criteria for this second bank included:

- A for-profit, private commercial bank; a multi-service bank, where we can compare the model and results of microfinance with the bank's other products, a "substantial" microfinance portfolio (minimum of plus or minus 5,000 clients);
- Located in Africa or Asia (to contrast with the Credife case); and
- Preferably offering financial services for microenterprises within the overall bank operations and not through a subsidiary or service company (again to complement the Credife case).

The research team reviewed the CGAP list of over 200 banks offering microfinance as well as other banks with which DAI and ACCION have contacts and, surprisingly, Hatton Bank of Sri Lanka seemed to be the only bank that meets all of the criteria. USAID/Sri Lanka confirmed the interest and value of the Hatton Bank case. Given its focus on rural finance, the Microenterprise Development Unit has requested that the research team gather basic data on the bank's rural finance activities and determine the value and interest of conducting additional research with the bank in this area. Given the distance and time to travel to Sri Lanka, the additional information gathering on rural finance, and complementary case studies being conducted for DFID on commercial banks in microfinance through a separate DAI contract, USAID has agreed that this Hatton Bank case study will be a joint effort between DFID and USAID. USAID and DFID will each cover the time and the travel costs for one of the two researchers. The DFID case, which will form part of a summary paper of five commercial banks in microfinance will focus on the external policy environment for microfinance as well as the profitability of microfinance in these commercial banks. The research team is exploring joint dissemination opportunities for the DFID and USAID work on this topic. Preparation and coordination with Hatton Bank staff was begun for the field that will be carried out in Sri Lanka in mid August. It is expected that the interim report on these two banks will be ready in September.

Additionally, Deborah Drake of ACCION and Robin Young of DAI continued to work on the Micro Note addressing commercial banks entering microfinance. The technical note will provide guidance to commercial bankers and those advising banks on microfinance programs on how to evaluate their options in the design and implementation of successful microfinance programs. The development of this paper has been augmented by the lessons learned in the USAID and DFID case study research. The team plans to have a draft ready for review in August.

Personnel Contributing to this Research: The following individuals have been approved for research on this activity:

Researcher	Firm/Organization	Job Category	Level
Robin Young, Research Leader	DAI	Microenterprise Research Specialist	I
Nancy Natilson	DAI	Microenterprise Research Specialist	I
Robert Dressen	DAI	Financial Analyst	I
Lynne Curran	ACCION International	Financial Analyst	I
Deborah Drake	ACCION International	Microenterprise Research Specialist	I
Cesar Lopez	ACCION International	Microenterprise Program Administrative Specialist	I

Commercial Bank/MFI Linkages

Summary of Progress: Task orders were issued and signed by Bannock Consulting and by ACCION for their work under this research topic.

The team continued to refine its typology of linkages and made a preliminary selection of cases to research and document. The first case study will be written on the linkage between FIE, a private financial fund, and ProMujer Bolivia, an unregulated MFI. The purpose of this linkage is to bring additional financial services, especially savings, to low-income clients in peri-urban and rural areas where there are no bank branches. The research for this case will begin in the third quarter of 2004.

The team began communication with management of ICICI bank in India and Afriland Bank in Cameroon to learn more about the linkages in those countries. We believe that both cases have potential as case study subjects but we are gathering more data to assess the linkages and the lessons that might be learned from them. The other cases that we are considering include AMEEN and Jammal Trust (among other banks), NABARD and a network of self-help groups (SHGs) in India, and PHBK and SHGs in Indonesia.

DAI continued to coordinate with CGAP, which is working on an initiative to develop a series of focus notes on linkages around the world. The purpose of our collaboration is to strengthen each other's research and to avoid redundancy in the deliverables.

This research activity is scheduled to be completed in March 2005.

Personnel Contributing to this Research: The following individuals have been approved for research on this activity:

Researcher	Firm/Organization	Job Category	Level
Mary Miller, Research Leader	DAI	Financial Analyst	I
Hillary Miller	DAI	Microenterprise Research Specialist	II
Alexis Curtis	DAI	Microenterprise Research Specialist	III
Robin Bell	Bannock Consulting	Microenterprise Research Specialist	I

An approval has been submitted for Alexis Curtis. Her participation in this research has been approval by the CTO and is pending from the Contracts Officer.

Request Regarding Definition of Scope of the Project: At DAI's meeting with USAID on January 21, 2004, comments were provided on our research work plan. These recommendations will be kept in mind as we move forward with this research activity. We are currently designing a research format for case study to provide to our researchers. It would be helpful to receive guidance from USAID or the Knowledge Management contractor on when a format will exist. At this date, we have been told only that it is coming.

Budget Expended to Date for both Commercial Bank Topics: A total of \$38,996 has been expended for both subtopics in the first two quarters of this project. This represents 10% of the total commercial banks in microfinance budget for FSKG.

PROMOTION OF FINANCIAL STANDARDS

Summary of Progress: A task order has been signed by the SEEP Network for their work on this topic.

ACT developed the first draft of the Guide for Standard Financial Terms, Indicators, and Adjustments, renamed "*Measuring Performance of Microfinance Institutions: A Framework for Reporting, Analysis and Monitoring*" and presented it to the SEEP FSWG for comment in April 2004. The FSWG incorporated other industry players, including rating agencies and CGAP, in a further draft review meeting in June 2004. Since June ACT has incorporated the comments, made revisions, and submitted the Guide's four chapters to a copy editor. A final edited draft will be distributed to SEEP, the Roundtable of Donors, etc. and other experts in August for final comments.

SEEP FSWG has also met with other key players in standard development (Micro Banking Bulletin/Mix Market, USAID, and CGAP) to discuss the development of a Performance Monitoring Tool to accompany the Guide.

The establishment of a Standards Committee was advanced by the definition of the membership composition of the Committee, to include:

- MFIs (2);
- Rating Agency with experience in rating MFIs (1);
- Donor organization (1);
- Investment or Loan Fund which actively invests in or lends to MFIs (1);
- Accountant with expertise in International Accounting Standards (1);
- Regulator or regulation specialist with experience in MFI regulation (1);
- Consultant, consulting firm, or other service provider active in microfinance (1);
- SEEP Network (1).

SEEP has contacted industry associations for the above groups, asking them to provide information to their members and develop a process for selecting a nominee. SEEP is working with:

- CGAP – to select donors
- Microfinance Network – MFIs
- Council of Microfinance Equity Investors – Investor (pending)

The final draft is expected to be completed in time for the SEEP Annual Conference in October 2004.

SEEP is also looking for ways to select representatives from the other groups. The first MF Standards Committee Meeting is scheduled for Tuesday, October 26.

Personnel Contributing to this Research: The following individuals have been submitted for approval to work on this research activity. We await approval for Till Bruett, and have received the other approvals:

Researcher	Firm/Organization	Job Category	Level
Till Bruett	ACT	Microenterprise Research Specialist	I
Dana Dekanter	SEEP Network	Microenterprise Research Specialist	I
Sharyn Tenn	SEEP Network	Microenterprise Research Specialist	II

In addition, members of the SEEP Financial Services Working Group are currently providing volunteer time to the activity.

Budget Expended to Date: A total of \$8,484 has been expended through June 30, 2004. This represents 7.7% of the total budget for this topic.

DISSEMINATING THE *DEFINING OPTIONS* CURRICULUM

Personnel and Subcontractor changes: The original plan to contract Jill Donahue to play a role in the initial training, TOT and development of a training impact monitoring tool

unfortunately did not come to fruition. Ms. Donahue, who was being contracted through ECI/ Africa backed out of participation in this endeavor. At her suggestion, ECI contracted Petronella Chigara, a trainer and microfinance expert based in Zimbabwe, to undertake various components of the project going forward. Unfortunately, Ms. Chigara was also not available to participate in the Ethiopia training as a trainer and thus, Colleen Green stepped in to undertake the training. Ms Chigara, however, will be actively engaged in the planned South Africa TOT and will also serve as a training supervisor and evaluator for the trainers that are selected for the TOT and the next two AMAP funded trainings.

Please note: we are in the process of obtaining CTO and contracting officer approval for Petronella Chigara.

Additionally, we were unable to hire Cory Evans who was to replace Liz McGuinness from the SEEP HIV/AIDS and Microenterprise Development (HAMED) Working Group under the SEEP subcontract. Ms. Evans rate was higher than what SEEP was willing to pay. In the end, Cory was hired by DAI to assist the team in updating the training materials to address a broader audience that included financial institutions that intermediate savings. DAI will maintain an informal relationship with the SEEP Working Group, updating them on our progress and soliciting their involvement where possible.

Summary of Progress: Since late April, the *Defining Options* curriculum has been updated in preparation for the first (pilot) training which will take place in Ethiopia August 4-6, 2004. Mary Miller and Colleen Green (both of DAI) will deliver the course; Cory Evans will deliver some specific financial monitoring training for SACCOs and other MFIs that intermediate deposits; Frances Fraser (of ECI) who will be extensively involved in the planned training of trainers in South Africa, will observe. USAID/Ethiopia's HIV/AIDS Officer, Holly Dempsey and the Director of the Association of Ethiopian Microfinance Institutions (AEMFI), Dr. Wolday Amha, will be making opening remarks at the training.

Ms Fraser has also been actively engaged in developing draft versions of the Aftercare tools. These three tools will assist MFIs in responding to HIV/AIDS in three specific areas:

- Improving their workplace programs and policies to address HIV/AIDS issues with staff;
- Refining products (savings and loan products) to address the needs of HIV/AIDS affected clients; and
- Monitoring the financial impact of HIV/AIDS.

The intent is for Mary Miller and Colleen Green to pilot test the tools, using them for limited technical assistance (1 day per institution for a total of 4 institutions). These tools are short guides for microfinance institutions with the focus on taking the training to implementation within their institutions. Following the piloting of these tools in Ethiopia, the team will share updated draft versions with USAID Washington.

The team is currently planning a training of trainers in South Africa in late September. Frances Fraser has identified and been in contact with potential trainers. After the training in

Ethiopia, the team will work on revisions to the materials and developing the TOT materials. Frances will also be working to identify an appropriate venue for the TOT and make preparations for it. In addition to the AMAP trainers, the intent is to invite other trainers, including any from international microfinance networks. These trainers would be able to participate in the TOT free of charge, but would be responsible for paying their own transportation and accommodation costs in South Africa.

Following the TOT, the newly trained trainers will conduct the *Defining Options* course in two countries with AMAP funding. These countries have yet to be determined, but will be determined in conjunction with the microenterprise office by mid August. Although the initial intent was to hire trainers from those chosen countries, our search for trainers has identified many strong trainers from Uganda and Kenya and few from other places. Thus, the trainings may be conducted by regional African trainers. The advantages and disadvantages of this will be discussed with the AMAP Activity Manager, Evelyn Stark.

Personnel Contributing to this Research: The following individuals have been submitted for approval to work on this research topic. We await approval for Frances Fraser and Petronella Chigara.

Researcher	Firm/Organization	Job Category	Level
Colleen Green, Research Leader	DAI	Microenterprise Research Specialist	I
Mary Miller	DAI	Microenterprise Research Specialist	I
Frances Fraser	ECI	TCN	
Petronella Chigara	ECI	TCN	

Budget Expended to Date: A total of \$11,342 has been expended through 6/30/04. This represents 4.9% of the total budget for this topic.

HIV/AIDS-RESPONSIVE PRODUCTS AND SERVICES

Summary of Progress: Similar to previous quarters, discussions have been taking place with respect to linking this research to the dissemination of the *Defining Options* related applied research. The rationale for doing so is that this effort currently has very little level of effort and much more would be required to provide institutions with assistance on product development/product augmentation around HIV/AIDS. As the *Defining Options* research moves forward, this piece will move forward in tandem with it.

Personnel Contributing to this Research: As currently planned, the following individuals are approved to assist with this project.

Researcher	Firm/Organization	Job Category	Level
Colleen Green, Research	DAI	Microenterprise Research	I

Leader		Specialist	
Hillary Miller	DAI	Microenterprise Research Specialist	II
Joan Parker	DAI	Microenterprise Research Specialist	I
Jenny Pan	DAI	Microenterprise Research Specialist	III

Actual personnel may change if this project is linked to the *Defining Options* applied research.

Budget Expended to Date: To date, no project funds have been expended for this topic.

PROVING MICROFINANCE MATTERS

Summary of Progress: A task order has been submitted to OSU for their work on this activity and awaits their signature.

OSU is currently completing a desk review of existing microfinance market indicators, and will be analyzing and presenting that information. DAI and OSU plan to meet with USAID shortly in order to discuss the set of indicators. Following this, a virtual conference on new indicators will be organized.

As of this writing, case studies selection has not taken place. Notionally, these might include Indonesia and Bolivia but these will be finalized in conjunction with USAID.

Personnel Contributing to this Research: The following individuals have been submitted for approval to work on this topic. We have received approvals, except for Lily Zandiapour.

Researcher	Firm/Organization	Job Category	Level
Zan Northrip, Research Leader	DAI	Financial Analyst	I
Jorge Rodriguez-Meza	OSU	Microenterprise Research Specialist	II
Claudio Gonzalez- Vega	OSU	Microenterprise Research Specialist	I
Lily Zandiapour	QED	Microenterprise Research Specialist	I
Pat Vondal	QED	Microenterprise Research Specialist	I
Ulrich (Rick) Ernst	DAI	Financial Analyst	I
TBD	DAI/SEEP/OSU	Microenterprise Research Specialist	I, III, I

Budget Expended to Date: To date, no project funds have been invoiced to USAID or DAI for this topic.

NETWORK RESEARCH

Summary of Progress: A task order has been fully signed by the SEEP Network.

The research team completed assessments of institutional strength using SEEP's Network Capacity Assessment Tool. These assessments were completed with the Association of Microfinance Institutions- AFMIN (Africa) and Red CAMIF (Central America). These networks are unique in that they are "networks of networks", or regional networks whose members are national level networks. The data collection methodology used included meetings with member networks, donors, MFI members of the national networks, and relevant government representatives (e.g. Ministry of Finance, Central Bank). The team has also recruited an additional 15 networks to participate in the research, and will commence activities with them in the next quarter. Note: the assessment was funded by a grant from the USAID Office of Private Volunteer Cooperation under a different project.

The research team is continuing to develop the framework through which complete data collection will be completed. A significant part of this framework will be focus group activities to be held at the SEEP Annual General Meeting in October. A draft focus group tool is being completed.

Personnel Contributing to this Research: The following individuals have been submitted for approval to carry out the network research. We have received approval for Sharyn Tenn and are waiting for approval on Patrick McAllister.

Researcher	Firm/Organization	Job Category	Level
Sharyn Tenn	SEEP Network	Microenterprise Research Specialist	II
Patrick McAllister	SEEP Network	Microenterprise Legal and Regulatory Specialist	II

Budget Expended to Date: To date, no project funds have been invoiced to DAI or USAID for this topic.

REMITTANCES AND MONEY TRANSFERS

Summary of Progress: Task orders were drafted and sent to ACCION and Bannock Consulting for their work on this task. Bannock has signed its task order.

The first quarterly electronic newsletter on remittances was drafted by Editor Cerstin Sander with input from experts in the field and the staff at USAID. At the end of the quarter, the team awaited feedback from USAID on the content of the newsletter before moving forward with final copy editing and formatting. The remittances letter leads off with a feature article on *Migrant Remittances: Overview & Issues for Pro-Poor Financial Services*, and includes brief case studies, announcements of upcoming events, and links to additional information resources.

Personnel Contributing to this Research: The following individuals will contribute to this research. Formal approval has been received for all except Enrique Mendizabal.

Researcher	Firm/Organization	Job Category	Level
Cerstin Sander, Research Leader	Bannock Consulting	TCN	
Anju Aggarwal	Bannock Consulting	TCN	
Enrique Mendizabal	Bannock Consulting	TCN	
Maria Jaramillo	ACCION International	Microenterprise Research Specialist	II
Judita Eisenberger	DAI	Microenterprise Research Specialist	III

Budget Expended To Date: As of June 30, 2004 a total of \$101 has been invoiced to DAI and USAID.

RURAL AND AGRICULTURAL FINANCE

Summary of Progress: DAI and Chemonics submitted the final draft research plan to USAID on April 15th and posted it on the MicroLinks web site. The research plan lays out the importance of rural and agricultural finance (RAF) to economic growth and poverty alleviation, the research vision and guiding principles, the conceptual framework (including research objectives, research hypotheses, environmental context, knowledge dissemination), a description of products and deliverables, research team, a Gantt chart for proposed RAF research activities, a RAF gap analysis, and an illustrative decision making matrix for USAID Missions, and criteria for case study selection and analysis. In addition, DAI and Chemonics jointly developed a database of potential RAF case studies for rural finance. This database may be used to determine the case studies to be researched by the two contractors.

On May 7, 2004, a meeting was held with USAID (representatives from the Office of Microenterprise Development and the Office of Agriculture), Chemonics, ACDI/VOCA, DAI, and Ohio State University (DAI's subcontractor on the RAF research) for a one-day workshop. The group discussed the joint RAF research plan, the need to develop a summary version for a Rural Finance Donor Group meeting, as well as the need to develop two-page and three-page versions of the research plan for distribution to USAID Missions and other interested parties. It was agreed that Chemonics would produce the summary version of the research plan and that DAI would develop the two and three-page summaries. These summaries were completed and submitted to USAID. Finally, the team agreed upon a date and content for a RAF stakeholders meeting with would take place in conjunction with the donor Rural Finance Working Group meeting on July 16th.

Following the May 7th meeting, DAI's BASIS and AMAP staff met a number of times to discuss a one-day training course being developed by BASIS. A draft outline for a one-day RAF training course was circulated, and both DAI and Chemonics submitted comments and feedback on the draft, sharing materials to be considered for inclusion as part of a four-day RAF training course under development. A technical instruction is pending to have time

spent on coordination with BASIS for this course be covered by Component Three of this task order.

In addition to work pending on a series of rural finance case studies, DAI received approval and began work on a focus note on the ZATAC Investment Fund. Jenny Pan will write this focus note. DAI is also awaiting approval on a focus note on Rural Livelihoods that would be written by Gerhard Coetzee of ECI/Africa.

Personnel Contributing to this Research: The following individuals have been approved to work on the rural finance work plan. Approval for Catherine Johnston has been submitted and awaits formal approval:

Researcher	Firm/Organization	Job Category	Level
Catherine Johnston, Research Leader	DAI	Microenterprise Research Specialist	II
Colleen Green	DAI	Microenterprise Research Specialist	I
Hillary Miller	DAI	Microenterprise Research Specialist	II
Zan Northrip	DAI	Financial Analyst	I
Claudio Gonzalez-Vega	OSU	Microenterprise Research Specialist	I
Jorge Rodriguez-Meza	OSU	Microenterprise Research Specialist	III
Sarah Lowder	OSU	Microenterprise Research Specialist	III

Please note: Catherine Johnston has replaced Ira Singh as Research Leader for this topic.

Budget Expended to Date: Thus far, \$12,664 has been expended on the rural and agricultural finance research topic. This represents 3.2% of the total RAF Budget.

DCA CREDIT ENHANCEMENTS

Summary of Progress: Research Leader Mary Miller and FSKG Director Colleen Green met with Barry Lennon of USAID's Microenterprise Development Unit and Paul Freedman of the Office of Development Credit on July 6 to discuss the research topic. A discussion of various approaches led to the conclusion that since DCA deals are relatively new, and that there is little data from these deals yet to analyze, the preferred approach would be to revise the description of the task to begin with a review of existing data, "mining" of the available data, before deciding on next steps. Colleen Green will present a revised work plan in mid August.

Personnel Contributing to this Research: The following individuals are expected to contribute to the research pending USAID approval. (Mary Miller and John Jepsen were already approved as part of the work plan).

Researcher	Firm/Organization	Job Category	Level
Mary Miller, Research Leader	DAI	Microenterprise Research Specialist	I
John Jepsen	DAI	Microenterprise Research Specialist	II
Andrew Iappini	DAI	Microenterprise Research Specialist	III

Budget Expended to Date:

A total of \$1,524 has been expended through June 30, 2004 towards the completion of the work plan. This represents 1.5% of the total for this topic.

PRIVATE DEBT PLACEMENTS

Summary of Progress: Zan Northrip, Research Leader, continued to coordinate with the Chemonics team which is leading the larger access to capital task order. He attended the "Access to Capital" workshop held in June. As discussed with USAID upon submission of the original work plan, the major emphasis of this work will begin in Year 2 of the Task Order.

Personnel Contributing to this Research: The following individuals have been approved to contribute to this research.

Researcher	Firm/Organization	Job Category	Level
Zan Northrip, Research Leader	DAI	Financial Analyst	I
Robert Dressen	DAI	Financial Analyst	I
Mary Miller	DAI	Financial Analyst	I
Till Bruett	SEEP Network	Financial Analyst	I
TBD	DAI	Financial Analyst	I & II

C. Component 2 and 3:

A technical instruction will be issued under Component 3 that would allow DAI staff 7 days level of effort to review and contribute to a one-day rural finance training course being developed by the BASIS project.

III. PROJECT EXPENDITURES

The total project expenditures for Quarter 3 are provided in the following pages. Project expenditures are broken out by Labor and Other Direct Costs (ODCs). A total of \$205,599 has been expended for the first two quarters of the project. This represents 3.8% of the total project budget.

Development Alternatives Inc.

AMAP Financial Services Knowledge Generation Project

Contract No: GEG-I-01-02-00011

Quarter 3: April 1, 2004 - June 30, 2004 (note! Included are estimates for June)

Obligated Funds: \$1,100,000

Description	Budget			Expended this Quarter			Total Expended to Date			% Expended
	Labor	ODCs	Total	Labor	ODCs	Total	Labor	ODCs	Total	
Project Management	\$ 468,041	\$ 81,706	\$ 549,747	\$ 28,605	\$ 224	\$ 28,829	\$ 102,278	\$ 362	\$ 102,640	18.7%
Subtotal Project Management	\$ 468,041	\$ 81,706	\$ 549,747	\$ 28,605	\$ 224	\$ 28,829	\$ 102,278	\$ 362	\$ 102,640	18.7%
Component 1										
Theme 1: Institutional and Innovative Models for Outreach										
112 Constraints and Potential of State Owned Retail Banks	\$ 268,720	\$ 69,830	\$ 338,550	\$ 14,067	\$ -	\$ 14,067	\$ 18,915	\$ -	\$ 18,915	5.6%
113 Commercial Banks and Commercial Bank-MFI Linkages	\$ 317,854	\$ 73,217	\$ 391,071	\$ 36,118	\$ 41	\$ 36,160	\$ 47,078	\$ 41	\$ 47,120	12.0%
114 Partnering with Commercial Banks for Housing Finance	\$ 95,231	\$ 5,052	\$ 100,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
115 Non-Financial Retail Strategies	\$ 73,761	\$ 25,768	\$ 99,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subtotal Theme 1	\$ 755,566	\$ 173,867	\$ 929,433	\$ 50,185	\$ 41	\$ 50,227	\$ 65,993	\$ 41	\$ 66,034	7.1%
Theme 2: Market Research and New Product Development										
121 Housing Products	\$ 184,763	\$ 29,002	\$ 213,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
122 Other Non-Traditional Modes	\$ 162,645	\$ 31,888	\$ 194,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
123 HIV/AIDS Responsive Products	\$ 85,574	\$ 30,210	\$ 115,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subtotal Theme 2	\$ 432,982	\$ 91,100	\$ 524,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Theme 3: Pushing the Frontier - Rural/Agricultural Finance and Value Chains										
131 Rural and Agricultural Finance	\$ 309,590	\$ 73,019	\$ 382,609	\$ 7,656	\$ 43	\$ 7,700	\$ 14,135	\$ 1,081	\$ 15,216	4.0%
Subtotal Theme 3	\$ 309,590	\$ 73,019	\$ 382,609	\$ 7,656	\$ 43	\$ 7,700	\$ 14,135	\$ 1,081	\$ 15,216	4.0%
Theme 4: Improving MF Management										
141 MFI Guide to Technology	\$ 252,051	\$ 66,454	\$ 318,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
142 Disseminating Defining Options	\$ 125,387	\$ 94,629	\$ 220,016	\$ 3,003	\$ -	\$ 3,003	\$ 7,977	\$ 46	\$ 8,023	3.6%
143 Performance Indicators for Savings/Back Office	\$ 106,499	\$ 9,517	\$ 116,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
144 Money Transfers and Remittances	\$ 83,787	\$ 33,861	\$ 117,648	\$ 202	\$ -	\$ 202	\$ 202	\$ -	\$ 202	0.2%
145 The Missing Middle: Training for Middle Managers	\$ 150,563	\$ 49,808	\$ 200,371	\$ -	\$ -	\$ -	\$ 6,006	\$ -	\$ 6,006	3.0%
146 Credit Scoring Models for Microfinance	\$ 87,452	\$ 24,032	\$ 111,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
147 Financial Standards Promotion	\$ 66,813	\$ 43,378	\$ 110,191	\$ 8,484	\$ -	\$ 8,484	\$ 8,484	\$ -	\$ 8,484	7.7%
148 Risk Management Series	\$ 108,013	\$ 3,032	\$ 111,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subtotal Theme 4	\$ 980,565	\$ 324,711	\$ 1,305,276	\$ 11,690	\$ -	\$ 11,690	\$ 22,670	\$ 46	\$ 22,715	1.7%
Theme 5: Gaining Access To Capital										
151 Private Debt Placements	\$ 67,944	\$ 2,166	\$ 70,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
152 DCA Credit Enhancements	\$ 70,124	\$ 27,124	\$ 97,248	\$ -	\$ -	\$ -	\$ 1,235	\$ -	\$ 1,235	1.3%
Subtotal Theme 5	\$ 138,068	\$ 29,290	\$ 167,358	\$ -	\$ -	\$ -	\$ 1,235	\$ -	\$ 1,235	0.7%
Theme 6: Enabling Environment for Microfinance and the Market Infrastructure										
161 Developing Private Credit Bureaus for MF	\$ 38,141	\$ 15,854	\$ 53,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
162 Specialized Microfinance Laws and Frameworks	\$ 239,111	\$ 71,325	\$ 310,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
163 Bank Secrecy Laws	\$ 28,080	\$ 10,201	\$ 38,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
164 Networks Research	\$ 63,071	\$ 1,574	\$ 64,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
165 Proving Microfinance Matters	\$ 163,684	\$ 21,856	\$ 185,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
166 Risk Based Supervision	\$ 169,231	\$ 32,893	\$ 202,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
167 Standardized Accounting and Disclosure Regimes	\$ 48,052	\$ 12,418	\$ 60,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subtotal Theme 6	\$ 749,370	\$ 166,121	\$ 915,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Component 2			\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subtotal Component 2			\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Component 3			\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subtotal Component 3			\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
PROJECT TOTAL	\$ 3,366,141	\$ 939,814	\$ 5,373,996	\$ 98,137	\$ 309	\$ 98,445	\$ 206,311	\$ 1,530	\$ 207,842	3.9%